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8- 25328

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

ARK INVESTMENTS

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

91 SOUTH MAY AVENUE

(No. and Street)

ATHENS

OH

45701

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

DOUGLAS K. ADIE

- 740 593-8888

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

JAMES P. SMITH

ARMSTRONG & SMITH, CPAs

(Name - if individual, state last, first, middle name)

49 JOHNSON RD, P O BOX 8,

THE PLAINS,

OH

45780

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SW

## OATH OR AFFIRMATION

I, DOUGLAS K. ADDIE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ARK INVESTMENTS, as of DECEMBER 31, 192003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Proprietor  
Title

\_\_\_\_\_  
Notary Public  
PATRICIA A PAYNE  
NOTARY PUBLIC, STATE OF OHIO  
My Commission Expires August 22, 2007  
Commission Recorded in Athens County

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

FORM  
X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## Part IIA Quarterly 17a-5(a)

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17

### COVER

Select a filing method:

Basic ☒ Alternate ☐ [0011]

Name of Broker Dealer: ARK INVESTMENTS  
[0013]

SEC File Number: 8- 25328

Address of Principal Place of Business: 91 SOUTH MAY AVE.  
[0020]

[0014]

ATHENS OH 45701-  
[0021] [0022] 0500  
[0023]

Firm ID: 10613  
[0015]

For Period Beginning 01/01/2003 And Ending 12/31/2003  
[0024] [0025]

Name and telephone number of person to contact in regard to this report:

Name: DOUGLAS K. ADIE Phone: (740) 593-8888  
[0030] [0031]

Name(s) of subsidiaries or affiliates consolidated in this report:

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0032] [0033]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0034] [0035]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0036] [0037]

Name: \_\_\_\_\_ Phone: \_\_\_\_\_  
[0038] [0039]

Does respondent carry its own customer accounts? Yes ☐ [0040] No ☒ [0041]

Check here if respondent is filing an audited report ☒ [0042]

# ASSETS

Consolidated [0198] Unconsolidated [0199]

**Allowable**  
71991

**Non-Allowable**

**Total**  
71991

|  |                                       |                                       |                                       |
|--|---------------------------------------|---------------------------------------|---------------------------------------|
| 1. Cash  | <u>                    </u><br>[0200] |                                       | <u>                    </u><br>[0750] |
| 2. Receivables from brokers or dealers:  |                                       |                                       |                                       |
| A. Clearance account   | <u>10044</u><br>[0295]                |                                       |                                       |
| B. Other   | <u>                    </u><br>[0300] | <u>                    </u><br>[0550] | <u>10044</u><br>[0810]                |
| 3. Receivables from non-customers  | <u>                    </u><br>[0355] | <u>                    </u><br>[0600] | <u>                    </u><br>[0830] |
| 4. Securities and spot commodities owned, at market value:   |                                       |                                       |                                       |
| A. Exempted securities   | <u>                    </u><br>[0418] |                                       |                                       |
| B. Debt securities   | <u>                    </u><br>[0419] |                                       |                                       |
| C. Options   | <u>                    </u><br>[0420] |                                       |                                       |
| D. Other securities  | <u>                    </u><br>[0424] |                                       |                                       |
| E. Spot commodities  | <u>                    </u><br>[0430] |                                       | <u>                    </u><br>[0850] |
| 5. Securities and/or other investments not readily marketable:   |                                       |                                       |                                       |
| A. At cost   | <u>                    </u><br>[0130] |                                       |                                       |
| B. At estimated fair value   | <u>                    </u><br>[0440] | <u>                    </u><br>[0610] | <u>                    </u><br>[0860] |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | <u>                    </u><br>[0460] | <u>                    </u><br>[0630] | <u>                    </u><br>[0880] |
| A. Exempted securities   | <u>                    </u><br>[0150] |                                       |                                       |
| B. Other securities  | <u>                    </u><br>[0160] |                                       |                                       |

|  |                                       |                                       |                                       |
|--|---------------------------------------|---------------------------------------|---------------------------------------|
| 7. Secured demand notes<br>market value of collateral:   | <u>                    </u><br>[0470] | <u>                    </u><br>[0640] | <u>                    </u><br>[0890] |
| A. Exempted<br>securities  |                                       |                                       |                                       |
|  | <u>                    </u><br>[0170] |                                       |                                       |
| B. Other securities  |                                       |                                       |                                       |
|  | <u>                    </u><br>[0180] |                                       |                                       |
| 8. Memberships in<br>exchanges:  |                                       |                                       |                                       |
| A. Owned, at<br>market   |                                       |                                       |                                       |
|  | <u>                    </u><br>[0190] |                                       |                                       |
| B. Owned, at cost  |                                       | <u>                    </u><br>[0650] |                                       |
| C. Contributed for<br>use of the<br>company, at<br>market value  |                                       | <u>                    </u><br>[0660] | <u>                    </u><br>[0900] |
| 9. Investment in and<br>receivables from affiliates,<br>subsidiaries and<br>associated partnerships  | <u>                    </u><br>[0480] | <u>                    </u><br>[0670] | <u>                    </u><br>[0910] |
|  | 9811                                  |                                       | 9811                                  |
| 10. Property, furniture,<br>equipment, leasehold<br>improvements and rights<br>under lease agreements,<br>at cost-net of accumulated<br>depreciation and<br>amortization | <u>                    </u><br>[0490] | <u>                    </u><br>[0680] | <u>                    </u><br>[0920] |
|  | 91846                                 |                                       | 91846                                 |
| 11. Other assets   | <u>                    </u><br>[0535] | <u>                    </u><br>[0735] | <u>                    </u><br>[0930] |
| 12. TOTAL ASSETS   | <u>                    </u><br>[0540] | <u>                    </u><br>[0740] | <u>                    </u><br>[0940] |

## LIABILITIES AND OWNERSHIP EQUITY

| Liabilities   | A.I. Liabilities        | Non-A.I. Liabilities    | Total                   |
|---|-------------------------|-------------------------|-------------------------|
| 13. Bank loans payable  | <u>          [1045]</u> | <u>          [1255]</u> | <u>          [1470]</u> |
| 14. Payable to brokers or dealers:                                  |                         |                         |                         |
| A. Clearance account  | <u>          [1114]</u> | <u>          [1315]</u> | <u>          [1560]</u> |
| B. Other  | <u>          [1115]</u> | <u>          [1305]</u> | <u>          [1540]</u> |
| 15. Payable to non-customers  | <u>          [1155]</u> | <u>          [1355]</u> | <u>          [1610]</u> |
| 16. Securities sold not yet purchased,<br>at market value           |                         | <u>          [1360]</u> | <u>          [1620]</u> |
| 17. Accounts payable, accrued<br>liabilities, expenses and other    | <u>          [1205]</u> | <u>          [1385]</u> | <u>          [1685]</u> |
| 18. Notes and mortgages payable:                                    |                         |                         |                         |
| A. Unsecured  | <u>          [1210]</u> |                         | <u>          [1690]</u> |
| B. Secured  | <u>          [1211]</u> | <u>          [1390]</u> | <u>          [1700]</u> |
| 19. Liabilities subordinated to claims<br>of general creditors:     |                         |                         |                         |
| A. Cash borrowings:   |                         | <u>          [1400]</u> | <u>          [1710]</u> |
| 1. from outsiders   |                         |                         |                         |
|   | <u>          [0970]</u> |                         |                         |
| 2. Includes equity subordination<br>(15c3-1(d)) of                  |                         |                         |                         |
|   | <u>          [0980]</u> |                         |                         |
| B. Securities borrowings,<br>at market value:<br><br>from outsiders |                         | <u>          [1410]</u> | <u>          [1720]</u> |
|   | <u>          [0990]</u> |                         |                         |
| C. Pursuant to secured demand note collateral agreements:           |                         | <u>          [1420]</u> | <u>          [1730]</u> |
| 1. from outsiders   |                         |                         |                         |

[1000]

2. Includes equity subordination (15c3-1(d)) of

[1010]

- D. Exchange memberships contributed for use of company, at market value

[1430]

[1740]

- E. Accounts and other borrowings not qualified for net capital purposes

[1220]

[1440]

[1750]

20.

TOTAL LIABILITIES

[1230]

[1450]

[1760]

## Ownership Equity

Total

91846

21. Sole proprietorship

[1770]

22. Partnership (limited partners [1020] )

[1780]

23. Corporations:

- A. Preferred stock

[1791]

- B. Common stock

[1792]

- C. Additional paid-in capital

[1793]

- D. Retained earnings

[1794]

- E. Total

[1795]

- F. Less capital stock in treasury

[1796]

91846

24.

TOTAL OWNERSHIP EQUITY

[1800]

91846

25.

TOTAL LIABILITIES AND OWNERSHIP EQUITY

[1810]

# STATEMENT OF INCOME (LOSS)

Period Beginning 01/01/2003  
[3932]

Period Ending 12/31/2003  
[3933]

Number of months 12  
[3931]

## REVENUE

|  |                       |
|--|-----------------------|
| 1. Commissions:  |                       |
| a. Commissions on transactions in exchange listed equity securities<br>executed on an exchange | <u>6889</u><br>[3935] |
| b. Commissions on listed option transactions   | <u></u><br>[3938]     |
| c. All other securities commissions  | <u></u><br>[3939]     |
| d. Total securities commissions  | <u>6889</u><br>[3940] |
| 2. Gains or losses on firm securities trading accounts   |                       |
| a. From market making in options on a national securities exchange                             | <u></u><br>[3945]     |
| b. From all other trading  | <u></u><br>[3949]     |
| c. Total gain (loss)   | <u></u><br>[3950]     |
| 3. Gains or losses on firm securities investment accounts                                      | <u></u><br>[3952]     |
| 4. Profit (loss) from underwriting and selling groups  | <u></u><br>[3955]     |
| 5. Revenue from sale of investment company shares  | <u>17</u><br>[3970]   |
| 6. Commodities revenue   | <u></u><br>[3990]     |
| 7. Fees for account supervision, investment advisory and administrative services               | <u></u><br>[3975]     |
| 8. Other revenue   | <u>394</u><br>[3995]  |
| 9. Total revenue   | <u>7300</u><br>[4030] |

## EXPENSES

|  |                       |
|--|-----------------------|
| 10. Salaries and other employment costs for general partners and voting stockholder officers | <u></u><br>[4120]     |
| 11. Other employee compensation and benefits   | <u></u><br>[4115]     |
| 12. Commissions paid to other broker-dealers   | <u></u><br>[4140]     |
| 13. Interest expense   | <u></u><br>[4075]     |
| a. Includes interest on accounts subject to<br>subordination agreements                      | <u></u><br>[4070]     |
| 14. Regulatory fees and expenses   | <u>1868</u><br>[4195] |
| 15. Other expenses   | <u>8102</u><br>[4100] |
| 16. Total expenses   | <u>9970</u>           |



**NET INCOME**

(2670)

17. Net Income(loss) before Federal Income taxes and items below (Item 9 less Item 16)

[4210]

18. Provision for Federal Income taxes (for parent only)

[4220]

19. Equity in earnings (losses) of unconsolidated subsidiaries not included above

[4222]

a. After Federal income taxes of

[4238]

20. Extraordinary gains (losses)

[4224]

a. After Federal income taxes of

[4239]

21. Cumulative effect of changes in accounting principles

[4225]

(2670)

22. Net income (loss) after Federal income taxes and extraordinary items

[4230]

**MONTHLY INCOME**

23. Income (current monthly only) before provision for Federal income taxes and extraordinary items

[4211]

## EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

A. (k) ☐ [4550]  
 (1)--Limited business (mutual funds and/or variable annuities only)

B. (k) ☐ [4560]  
 (2)(i)--"Special Account for the Exclusive Benefit of customers" maintained

C. (k) ☐ [4570]  
 (2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)

| Clearing Firm SEC#s        | Name                                      | Product Code       |
|----------------------------|---|--------------------|
| 8- <u>45411</u><br>[4335A] | <u>RBC DAIN RAUSCHER, INC</u><br>[4335A2] | <u>ALL</u> [4335B] |
| 8- _____<br>[4335C]        | _____ [4335C2]                            | _____ [4335D]      |
| 8- _____<br>[4335E]        | _____ [4335E2]                            | _____ [4335F]      |
| 8- _____<br>[4335G]        | _____ [4335G2]                            | _____ [4335H]      |
| 8- _____<br>[4335I]        | _____ [4335I2]                            | _____ [4335J]      |

D. (k) ☐ [4580]  
 (3)--Exempted by order of the Commission

# COMPUTATION OF NET CAPITAL

|    |  |         |         |        |
|----|--|---------|---------|--------|
| 1. | Total ownership equity from Statement of Financial Condition                                       |         | 91846   |        |
|    |  |         |         | [3480] |
| 2. | Deduct ownership equity not allowable for Net Capital  |         | 91846   | [3490] |
| 3. | Total ownership equity qualified for Net Capital   |         |         | [3500] |
| 4. | Add:   |         |         |        |
|    | A. Liabilities subordinated to claims of general creditors allowable in computation of net capital |         |         | [3520] |
|    | B. Other (deductions) or allowable credits (List)  |         |         |        |
|    |  | [3525A] | [3525B] |        |
|    |  | [3525C] | [3525D] |        |
|    |  | [3525E] | [3525F] | [3525] |
| 5. | Total capital and allowable subordinated liabilities   |         |         | [3530] |
| 6. | Deductions and/or charges:   |         | 9811    |        |
|    | A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)                 |         | [3540]  |        |
|    | B. Secured demand note deficiency  |         | [3590]  |        |
|    | C. Commodity futures contracts and spot commodities - proprietary capital charges                  |         | [3600]  |        |
|    | D. Other deductions and/or charges   |         | [3610]  | [3620] |
| 7. | Other additions and/or credits (List)  |         |         |        |
|    |  | [3630A] | [3630B] |        |
|    |  | [3630C] | [3630D] |        |
|    |  | [3630E] | [3630F] | 82035  |
|    |  |         |         | [3630] |
| 8. | Net capital before haircuts on securities positions  |         |         | [3640] |
| 9. | Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):                        |         |         |        |
|    | A. Contractual securities commitments  |         | [3660]  |        |
|    | B. Subordinated securities borrowings  |         | [3670]  |        |
|    | C. Trading and investment securities:  |         |         |        |

|                        |         |         |                         |
|------------------------|---------|---------|-------------------------|
| 1. Exempted securities |         | [3735]  |                         |
| 2. Debt securities     |         | [3733]  |                         |
| 3. Options             |         | [3730]  |                         |
|                        | 1284    |         |                         |
| 4. Other securities    |         | [3734]  |                         |
| D. Undue Concentration |         | [3650]  |                         |
| E. Other (List)        |         |         |                         |
|                        | [3736A] | [3736B] |                         |
|                        | [3736C] | [3736D] |                         |
|                        | [3736E] | [3736F] |                         |
|                        |         |         | (1284)                  |
|                        |         | [3736]  | 80751 <sup>[3740]</sup> |
| 10. Net Capital        |         |         | [3750]                  |

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

### Part A

|   |  |                         |
|---|--|-------------------------|
| 11. Minimum net capital required (6-2/3% of line 19)  |  | 50000 <sup>[3756]</sup> |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u> |  | [3758]                  |
|   |  | 50000                   |
| 13. Net capital requirement (greater of line 11 or 12)  |  | [3760]                  |
|   |  | 30751 <sup>[3770]</sup> |
| 14. Excess net capital (line 10 less 13)  |  | [3770]                  |
|   |  | 80751                   |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19)   |  | [3780]                  |

## COMPUTATION OF AGGREGATE INDEBTEDNESS

|  |  |        |
|--|--|--------|
| 16. Total A.I. liabilities from Statement of Financial Condition                         |  | 0      |
|  |  | [3790] |
| 17. Add:   |  |        |
| A. Drafts for immediate credit   |  | [3800] |
| B. Market value of securities borrowed for which no equivalent value is paid or credited |  | [3810] |
| C. Other unrecorded amounts (List)   |  |        |

|     |   |  |         |        |
|-----|---|--|---------|--------|
|     | [3820A]   |  | [3820B] |        |
|     | <hr/>   |  | <hr/>   |        |
|     | [3820C]   |  | [3820D] |        |
|     | <hr/>   |  | <hr/>   |        |
|     | [3820E]   |  | [3820F] |        |
|     |   |  | <hr/>   |        |
|     |   |  | [3820]  | <hr/>  |
|     |   |  |         | [3830] |
| 19. | Total aggregate indebtedness  |  |         | <hr/>  |
|     |   |  |         | [3840] |
| 20. | Percentage of aggregate indebtedness to net capital (line 19 / line 10) |  | %       | <hr/>  |
|     |   |  |         | [3850] |

## OTHER RATIOS

|     |  |  |   |        |
|-----|--|--|---|--------|
| 21. | Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) |  | % | <hr/>  |
|     |  |  |   | [3860] |

## SCHEDULED WITHDRAWALS

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| Type of<br>Proposed<br>Withdrawal<br>or Accrual | Name of Lender or Contributor | Insider<br>or<br>Outsider | Amount to be Withdrawn<br>(cash amount and/or Net<br>Capital Value of<br>Securities) | Withdrawal or<br>Maturity Date<br>(MMDDYYYY) | Expect<br>to<br>Renew |
|---|-------------------------------|---------------------------|--|--|-----------------------|
| — [4600]  |                               | [4601]                    | [4602]   | [4603]                                       | [4604] [4605]         |
| — [4610]  |                               | [4611]                    | [4612]   | [4613]                                       | [4614] [4615]         |
| — [4620]  |                               | [4621]                    | [4622]   | [4623]                                       | [4624] [4625]         |
| — [4630]  |                               | [4631]                    | [4632]   | [4633]                                       | [4634] [4635]         |
| — [4640]  |                               | [4641]                    | [4642]   | [4643]                                       | [4644] [4645]         |
| — [4650]  |                               | [4651]                    | [4652]   | [4653]                                       | [4654] [4655]         |
| — [4660]  |                               | [4661]                    | [4662]   | [4663]                                       | [4664] [4665]         |
| — [4670]  |                               | [4671]                    | [4672]   | [4673]                                       | [4674] [4675]         |
| — [4680]  |                               | [4681]                    | [4682]   | [4683]                                       | [4684] [4685]         |
| — [4690]  |                               | [4691]                    | [4692]   | [4693]                                       | [4694] [4695]         |
|   |                               | TOTAL                     |  |  |                       |
|   |                               | \$                        |  |  |                       |
|   |                               |                           |  | [4699]                                       |                       |
|   |                               |                           |  | Omit Pennies                                 |                       |

**Instructions** Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

| Withdrawal Code | Description                  |
|-----------------|------------------------------|
| 1               | Equity Capital               |
| 2               | Subordinated Liabilities     |
| 3               | Accruals                     |
| 4               | 15c3-1(c)(2)(iv) Liabilities |

## STATEMENT OF CHANGES

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

|    |   |                 |
|----|---|-----------------|
|    |   | 90412           |
| 1. | Balance, beginning of period                      | <u>[4240]</u>   |
|    |   | (2670)          |
|    | A. Net income (loss)                              | <u>[4250]</u>   |
|    |   | 4104            |
|    | B. Additions (includes non-conforming capital of  | <u>[4262]</u> ) |
|    |   | [4260]          |
|    | C. Deductions (includes non-conforming capital of | <u>[4272]</u> ) |
|    |   | [4270]          |
|    |   | 91846           |
| 2. | Balance, end of period (From item 1800)           | <u>[4290]</u>   |

### STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

|    |   |               |
|----|---|---------------|
| 3. | Balance, beginning of period            | <u>[4300]</u> |
|    | A. Increases                            | <u>[4310]</u> |
|    | B. Decreases                            | <u>[4320]</u> |
| 4. | Balance, end of period (From item 3520) | <u>[4330]</u> |

**DOUGLAS K. ADIE dba  
ARK INVESTMENTS**

**FINANCIAL STATEMENTS**

December 31, 2003 and 2002



# ARMSTRONG & SMITH

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Douglas K. Adie, dba  
Ark Investments  
91 South May Avenue  
Athens, Ohio 45701

We have audited the accompanying balance sheets of Douglas K. Adie, dba Ark Investments (a sole proprietorship) as of December 31, 2003 and 2002, and the related statements of income, changes in owner's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Douglas K. Adie, dba Ark Investments as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information in schedules I, II and III is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Armstrong & Smith*

The Plains, Ohio

January 21, 2004

DOUGLAS K. ADIE, dba  
Ark Investments  
Balance Sheets  
December 31, 2003 and 2002

|                               | ASSETS          |                 |
|-------------------------------|-----------------|-----------------|
|                               | 2003            | 2002            |
| Current assets:               |                 |                 |
| Cash in banks                 | \$71,991        | \$65,117        |
| Cash deposit with broker      | 10,044          | 25,000          |
| Total current assets          | <u>\$82,035</u> | <u>\$90,117</u> |
| Property and equipment:       |                 |                 |
| Furniture and equipment       | \$4,127         | \$4,127         |
| Leasehold improvements        | 10,415          | 604             |
| Less accumulated depreciation | (4,731)         | (4,436)         |
| Total property and equipment  | <u>\$9,811</u>  | <u>\$295</u>    |
| Total assets                  | <u>\$91,846</u> | <u>\$90,412</u> |

LIABILITIES & OWNER'S EQUITY

|                      |                 |                 |
|----------------------|-----------------|-----------------|
| Current liabilities: |                 |                 |
| Accrued expenses     | <u>\$0</u>      | <u>\$0</u>      |
| Total liabilities    | <u>\$0</u>      | <u>\$0</u>      |
| Equity:              |                 |                 |
| Owner's equity       | <u>\$91,846</u> | <u>\$90,412</u> |
| Total equity         | <u>\$91,846</u> | <u>\$90,412</u> |

See accompanying notes and accountant's report

DOUGLAS K. ADIE, dba  
Ark Investments  
Statement of Income  
For the Year ended December 31, 2003 and 2002

|                                     | 2003             | 2002             |
|-------------------------------------|------------------|------------------|
| Income:                             |                  |                  |
| Fees and commissions                | \$6,889          | \$8,776          |
| Interest and dividends              | 394              | 1,121            |
| Revenue - investment company shares | <u>17</u>        | <u>786</u>       |
| Total income                        | \$7,300          | \$10,683         |
| Expenses:                           |                  |                  |
| Communications                      | \$4,627          | \$4,173          |
| Occupancy expense                   | 1,604            | 2,880            |
| Regulatory fees and expenses        | 1,868            | 2,983            |
| Other operating expenses            | 1,576            | 7,670            |
| Depreciation                        | <u>295</u>       | <u>506</u>       |
| Total expense                       | <u>9,970</u>     | <u>18,212</u>    |
| Net loss                            | <u>(\$2,670)</u> | <u>(\$7,529)</u> |

See accompanying notes and accountant's report

DOUGLAS K. ADIE, dba  
Ark Investments  
Statement of Changes in Owner's Equity  
For the Year ended December 31, 2003 and 2002

|                                     | 2003            | 2002            |
|-------------------------------------|-----------------|-----------------|
| Owner's equity at beginning of year | \$90,412        | \$90,716        |
| Net loss for the year               | (2,670)         | (7,529)         |
| Owner's contribution during year    | <u>4,104</u>    | <u>7,225</u>    |
| Owner's equity at end of the year   | <u>\$91,846</u> | <u>\$90,412</u> |

See accompanying notes and accountant's report

DOUGLAS K. ADIE, dba  
Ark Investments  
Statement of Cash Flows  
For the Year ended December 31, 2003 and 2002

|   | 2003             | 2002            |
|---|------------------|-----------------|
| Cash flows from operating activities:   |                  |                 |
| Net loss  | (\$2,670)        | (\$7,529)       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |                 |
| Depreciation  | <u>295</u>       | <u>506</u>      |
| Net cash provided/used by operations  | (\$2,375)        | (\$7,023)       |
| Cash flows from investing activities:   |                  |                 |
| Property and equipment acquisition  | <u>(\$9,811)</u> | <u>\$0</u>      |
| Net cash used by investing activities   | (\$9,811)        | \$0             |
| Cash flows from financing activities:   |                  |                 |
| Owners capital contribution   | <u>\$4,104</u>   | <u>\$7,225</u>  |
| Net cash provided by investing activities   | <u>\$4,104</u>   | <u>\$7,225</u>  |
| Net increase (decrease) in cash   | (\$8,082)        | \$202           |
| Cash at beginning of year   | <u>90,117</u>    | <u>89,915</u>   |
| Cash at end of year   | <u>\$82,035</u>  | <u>\$90,117</u> |

See accompanying notes and accountant's report

DOUGLAS K. ADIE, dba  
Ark Investments  
December 31, 2003

1. Summary of Significant Accounting Policies:

Nature of Operations:

The Organization is a sole proprietorship offering investment services. Its main source of revenue is commissions on sales.

Basis of Accounting:

The Organization utilizes the accrual basis of accounting.

Property and Equipment:

Depreciation of property and equipment is provided on the straight-line basis. Expenditures for maintenance and repair are charged against operations. Renewals and betterments that materially extend the life of assets are capitalized.

Income Taxes:

The proprietorship itself is not a taxpaying entity for purposes of federal and state income taxes. Federal and state income taxes of the proprietor are computed on his total income from all resources; accordingly, no provision for income tax is made in these statements.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the proprietor to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## EXEMPTIVE PROVISIONS

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based

A. (k) ☐ [4550]  
(1)--Limited business (mutual funds and/or variable annuities only)

B. (k) ☐ [4560]  
(2)(i)--"Special Account for the Exclusive Benefit of customers" maintained

C. (k) ☐ [4570]  
(2)(ii)--All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm(s)

| Clearing Firm SEC#s        | Name                                      | Product Code       |
|----------------------------|---|--------------------|
| 8- <u>45411</u><br>[4335A] | <u>RBC DAIN RAUSCHER, INC</u><br>[4335A2] | <u>ALL</u> [4335B] |
| 8- _____<br>[4335C]        | _____ [4335C2]                            | _____ [4335D]      |
| 8- _____<br>[4335E]        | _____ [4335E2]                            | _____ [4335F]      |
| 8- _____<br>[4335G]        | _____ [4335G2]                            | _____ [4335H]      |
| 8- _____<br>[4335I]        | _____ [4335I2]                            | _____ [4335J]      |

D. (k) ☐ [4580]  
(3)--Exempted by order of the Commission

# COMPUTATION OF NET CAPITAL

|    |  |         |         |        |
|----|--|---------|---------|--------|
| 1. | Total ownership equity from Statement of Financial Condition                                       |         | 91846   |        |
|    |  |         |         | [3480] |
| 2. | Deduct ownership equity not allowable for Net Capital  |         | 91846   | [3490] |
| 3. | Total ownership equity qualified for Net Capital   |         |         | [3500] |
| 4. | Add:   |         |         |        |
|    | A. Liabilities subordinated to claims of general creditors allowable in computation of net capital |         |         | [3520] |
|    | B. Other (deductions) or allowable credits (List)  |         |         |        |
|    |  | [3525A] | [3525B] |        |
|    |  | [3525C] | [3525D] |        |
|    |  | [3525E] | [3525F] | [3525] |
| 5. | Total capital and allowable subordinated liabilities   |         |         | [3530] |
| 6. | Deductions and/or charges:   | 9811    |         |        |
|    | A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)                 |         | [3540]  |        |
|    | B. Secured demand note deficiency  |         | [3590]  |        |
|    | C. Commodity futures contracts and spot commodities - proprietary capital charges                  |         | [3600]  |        |
|    | D. Other deductions and/or charges   |         | [3610]  | 9811   |
|    |  |         |         | [3620] |
| 7. | Other additions and/or credits (List)  |         |         |        |
|    |  | [3630A] | [3630B] |        |
|    |  | [3630C] | [3630D] |        |
|    |  | [3630E] | [3630F] | 82035  |
|    |  |         |         | [3630] |
| 8. | Net capital before haircuts on securities positions  |         |         | [3640] |
| 9. | Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):                        |         |         |        |
|    | A. Contractual securities commitments  |         | [3660]  |        |
|    | B. Subordinated securities borrowings  |         | [3670]  |        |
|    | C. Trading and investment securities:  |         |         |        |



|                        |         |         |              |
|------------------------|---------|---------|--------------|
| 1. Exempted securities |         | [3735]  |              |
| 2. Debt securities     |         | [3733]  |              |
| 3. Options             |         | [3730]  |              |
|                        | 1284    |         |              |
| 4. Other securities    |         | [3734]  |              |
| D. Undue Concentration |         | [3650]  |              |
| E. Other (List)        |         |         |              |
|                        | [3736A] | [3736B] |              |
|                        | [3736C] | [3736D] |              |
|                        | [3736E] | [3736F] |              |
|                        |         |         | (1284)       |
|                        |         | [3736]  | 80751 [3740] |
| 10. Net Capital        |         |         | [3750]       |

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

### Part A

|   |  |              |
|---|--|--------------|
| 11. Minimum net capital required (6-2/3% of line 19)  |  | 50000 [3756] |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with <u>Note(A)</u> |  | [3758]       |
|   |  | 50000        |
| 13. Net capital requirement (greater of line 11 or 12)  |  | [3760]       |
|   |  | 30751        |
| 14. Excess net capital (line 10 less 13)  |  | [3770]       |
|   |  | 80751        |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19)   |  | [3780]       |

## COMPUTATION OF AGGREGATE INDEBTEDNESS

|  |  |          |
|--|--|----------|
| 16. Total A.I. liabilities from Statement of Financial Condition                         |  | 0 [3790] |
| 17. Add:   |  |          |
| A. Drafts for immediate credit   |  | [3800]   |
| B. Market value of securities borrowed for which no equivalent value is paid or credited |  | [3810]   |
| C. Other unrecorded amounts (List)   |  |          |

DOUGLAS K. ADIE, dba  
Ark Investments  
Reconciliation of Audited Net Capital to Broker/Dealer's  
Unaudited Net Capital as Reported on Form X-17A-5

|                              | Audited         | Unaudited       | Difference     |
|------------------------------|-----------------|-----------------|----------------|
| Net capital as reported      | \$91,846        | \$82,039        | \$9,807        |
| Differences                  |                 |                 |                |
| Cash                         | 82,035          | 82,039          | (4)            |
| Property and equipment (net) | <u>9,811</u>    | <u>0</u>        | <u>9,811</u>   |
| Totals                       | <u>\$91,846</u> | <u>\$82,039</u> | <u>\$9,807</u> |

DOUGLAS K. ADIE, dba  
Ark Investments  
Report on Material Inadequacies

No material inadequacies were found to exist during the period of this audit.